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FOR EUR/SCE, EUR/PPD, EUR/RPM AND EUR/ERA  
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SUBJECT: ZAGREB WEEKLY ACTIVITY REPORT - SEPTEMBER 10, 2008

1. (U) WITH A SLOWED PACE OF REFORMS, CROATIA DROPS IN  
"DOING BUSINESS 2009" RANKINGS:

In its "Doing Business 2008" report a year ago, the World Bank ranked Croatia 2nd among top reformers worldwide and 97th for overall ease of doing business. In "Doing Business 2009," however, Croatia does not rank among the top ten reformers and has slipped to 106th overall among the 181 countries assessed. Among the factors considered in the study, Croatia's worst performance was in dealing with construction permits, where it ranked 163rd. Construction permits was one of just two areas in which Croatia implemented reforms over the past year, but the reform led to an administrative backlog that actually lengthened the time required to obtain a permit by 20 days. As this backlog decreases the time needed to deal with the permits should decline significantly. One other area of reform in Croatia over the past year was trading across borders, where improvements to port infrastructure sped handling of exports by two days. In a statement about the report, Andras Horvai, World Bank country manager for Croatia, said he was confident continued reform would improve Croatia's ranking in the future. (SLitke)

2. (U) EUR DAS JONES VISITS CROATIA:

In his first visit to Croatia since joining the EUR Front Office, EUR DAS Stu Jones had a brief, but very positive, visit to Croatia on September 10. In his meeting with DAS Jones, FM Gordan Jandrokovic described the bilateral relationship as "great" and thanked the US for all of its support to Croatia. Jandrokovic described the GoC's priorities as NATO membership, EU accession, and good relations with all of its neighbors. The majority of discussion then focused on recent developments in the region. Full report will be sent septel. (RHoltzapple)

3. (U) MEDIA SPECULATION BEGINS ON POTENTIAL CANDIDATES FOR CROATIAN PRESIDENT IN 2010:

Several media outlets have begun speculation on who might be leading candidates in the race to replace current Croatian President Stipe Mesic in early 2010. Influential dailies Vecernji List and Novi List have argued that PM Ivo Sanader is the HDZ's only strong candidate for the position and perhaps the only one who could defeat leading opposition candidates. Other dailies argue Sanader should not run for President in 2010, as the prime ministerial position has much broader powers and any vacancy there could lead to a damaging intra-party competition. Sanader has been playing it cool regarding a potential bid for the presidency, saying only that "everyone in politics has ambitions," but that his current ambitions were to conclude negotiations on NATO and EU accession, ensure the HDZ wins municipal elections next year, and curb inflation. Sanader has also been coy, however, about who an HDZ presidential candidate might be, other than dismissing suggestions that the HDZ could back Miroslav Tudjman, son of Croatia's first president and HDZ

founder Franjo Tudjman, referring to Miroslav as a political loser. COMMENT: With local elections in May 2009 as the more pressing concern for all parties, speculation on presidential candidates is somewhat premature. Still, public fascination with the Sanader-Mesic relationship, and the fact that no obvious candidates currently exist, means that the question of who might be Mesic's successor will be the subject of keen discussion. END COMMENT. (DMeges)  
Bradtke